

Economic Ties between China and Pakistan

FAKHRA YASMIN¹

Academy of Educational Sciences
Huazhong University of Science & Technology
Wuhan, P.R. China

Abstract:

In latest times China is engaged in numerous phases to advance investment and trade affairs with Pakistan, comprising amongst other and the passing contract of a mutual free trade agreement (FTA) in the 24 November, 2006 and it was practically started in 1st of July, 2007. China is progressively appeared as the chief trade partner with Pakistan in both imports and exports ways. Pakistan-China associations are at their peak level which gives the grounds for strong relations between these two countries. The major cause because of the developing Pakistan and China relations is the growing impact of India for the reason that the existence of America in Afghan country, further because of growing existence of the America is common in this area. Trade amongst in both of these republics improved distinctly, that had caused in a vast break among the extent of trade participation between China and Pakistan. China takes numerous inducements from Pakistan which contain easy approach into Pakistani market, low-cost raw materials and best utilization of the Pakistani seaports for trade. Pakistan has secured easy access to the market for numerous products that may possess a fast interest of

¹ Fakhra Yasmin is a PhD Scholar at Academy of Education Sciences of Wuhan, P.R. China. She has published a book and two papers in the area of Learning Styles and Scholastic Achievement of University Students. Recently he is working on Student's Motivation and Satisfaction in public sector universities of China. Her research interest includes, Educational Psychology, Internationalization of higher education, and Student Satisfaction.

exports. The existent report inspects trade and speculation ties among China and Pakistan and evaluates causes that directed to the developing existence of China in Pakistan.

Key words: Trade Affairs, FTA, CPEC, Gwadar Port, Economic Corridor

1. INTRODUCTION

Pakistan and China advanced their strong mutual economic and trade relations from past decades. The bilateral relations in trade among these two countries had started in 1963 by signing the mutual agreement on long term trade relation (Sial, 2014). The economy of China is growing fast from last three decades and the average growth of income is nine percent per annum (Muhammad Shahbaz, Saleheen Khan, Mohammad Iqbal Tahir, 2013). From last few decades, China had taken numerous paces and enterprises to advance its trade and speculation associations through Pakistan. China and Pakistan had contracted a Free Trade Agreement in 2006, a memo of empathetic, a mutual asset of agreement and numerous contracts to upturn trade and investment (Aneja, 2006). According to Kumar (2006) china has given numerous inducements by Pakistan that contain entrance into Pakistani marketplace, low-cost raw tools and utilization of Pakistan's seaports for trade. In an outcome, Pakistan enlarged its contact to markets of China by privileged dealing according to the Free Trade Agreement and become nearer for the sake of attracting a pivot in this area that definitely chief to important transfer returns. The nearer and powerful affiliation among China and Pakistan is also facilitated Chinese to figure "trade and energy corridor" from Pakistan.

Pakistan as being the solitary state in the region of South Asia in which trade with China and Pakistan is mutually expands in terms of both import and export. It is more than

trade with the India in this region. From the year of 2000, the export from China to Pakistan have enhanced, it is estimated that export from India were 1% of the total export to Pakistan in the year 1992 and improved to 6.2% in the year of 2007, whereas exports from China augmented from 9% in the year of 1992 to 23% of total exports in 2007. The loud exports increase of China is partly because of speeding up the economic collaboration with Pakistan from the year 2000. Additional squirt in economic and trade associations among China and Pakistan had transpired from the year 2006 causing the prosperous accomplishment of the FTA. In perspective of trade among India and Pakistan is improved from the year 2002, although the trade level is considerably lesser matched to trading amongst China and Pakistan (Sahoo & Nataraj, 2008). As per the available statistics by economic survey of Pakistan 2013 and 2014, the rate of trading among China and Pakistan has been improved from 4.1 billion US dollars in 2006 and 2007, it represents 124% of increase. Though, the increase of 1% is observed through this time period in the exports of China to Pakistan, while exports of Pakistan was improved by 400% from 600 million dollars by the year 2006 and 2007 to 2.6 billion dollars by 2012 and 2013. It is therefore, the share of China in the total exports of Pakistan has been progressively increased from 4% by the year 2008 and 2009 to 10% by the financial year of 2013 and 2014 (Sial, 2014).

Generally, Chinese Government have a major partnership with Pakistani Government in the aspect of atomic and energy projectile equipment, however newly, it seems a move between the associations. The research indicates that the economic progress is directly influenced by production and energy utilization (Shahbaz, 2012; Shahbaz & Lean, 2012). China is very influential in the energy sector of the world due to the energy utilization and production as well. The energy production rate of China is noticeably high in the energy market of the world. Moreover, it is rated as the second major country in consumption of oil after America. China is known as

the world's largest producer and consumer of coal (Wang, Wang, Zhou, Zhu, Lu, 2011). Including cooperation in governmental and security obverse, main aims of the soothing and nearer relationship, is to cherish and reinforce economic ties amongst these countries, furthermore, for welfare of these two countries in this area. However, monetary dealings have pace to be at its maximum level, armed collaboration among both republics exist on the highest aspect, because of the tactical position of Pakistani territory is the main cause of attention for China. Both Republics associations have their peak interest in giving the basis of communications among them. Now in recent ages, Pakistanis and Chinese Governments has established clearly revelation for financial dealings built upon common interchange of the concepts and meetings between these two countries (Memon, 2009).

2. TRADE STRUCTURE PLUS EXCHANGE WISE EXPLORATIONS

The financial reforms between China and Pakistan was introduced correspondingly in 1978 and 1990 and these countries succeeded in managing the fair and good level of economic growth (Jalil & Ma, 2008). The CPEC has estimated to reinforce the economic and trade support among these countries. The empirical studies have found the statistically significant and positive effect of imports and exports on the growth of economy. The literature on economic growth put emphasis on the significance of financial growth on the prosperity of economy (Tiezzi, 2014; Hye, 2012; Ashraf, 2009). Export in different products is greater between China and Pakistan. However, it reflects that Pakistan blocked various products and endorsed importations on native mandate and requisites. Though, relative benefits don't continually designate the triumph of China distributes to these products in Pakistani market. Some vital exchange areas are mentioned below:

- One of the most essential stuffs of Chinese export to Pakistan are apparatus and machines that is mainly from textile industries. These sets are comprised approximately 51% export accepted from China to Pakistan. Equipment and machines sustained the high rank whereas fabrics traded as well as compound artifacts found in the second level in the year 2007.
- Chinese transfer to Pakistani markets as arranged foodstuff trade which is normally natural, for example, cane and chemical clean white-sugar, hard filtrate etc. It is the image of variety in manufacturing of sugar and within the native marketplace that resultant in varied variations in importation requests.
- Export of soya-bean oil, its sections and petroleum oils without crude have significantly in high demand articles from this Pakistani production industry. The exports of China in these goods cluster mainly in necessary items especially the items that included in the class of food, iron ores, and petroleum oils. Pakistan import these vital items from China. Furthermore, China do not export such products which are already exported by India to Pakistan.
- A huge number of textiles, which make up a chief export industry for China, was added to the encouraging list of Pakistan after the year 2006. Textile industry is the most essential exports for Pakistan, estimated that almost 68% of total export by the year of 2007, and generally contains ready-made garments, carpets, blankets, awnings and cotton textile exports. Chinese textile export is mainly consisted upon cotton textiles, particularly cotton fabrics in huge numbers are one of the most important imports from the Pakistani textile industries. Consequently, China is observed as become the most essential Pakistan's business companion. China has organized this industry very efficiently due to

the affordable rates and because of easy approach to the Pakistani marketplaces.

- Machinery is topmost exportation by China to Pakistani market which is electricity apparatus, tools, shares and atomic devices, tanks that made for the whole equipment and power-driven machine business. The equipment transfers and motorized machines included 32% weightage of Chinese exportations in Pakistani market in the year 2007. It is the main industry in which China adores a worldwide relative benefit. The chief mechanisms for exportation in present commerce for Pakistan in the year 2007 were electric telephones, fax and telegraphic machines, apparatus of transmission for television and radio, electric generating sets and air vacuum pumps compressors. China is a larger supplier of these essential items of demand in Pakistan.
- Chemical products are additionally important items trade in Pakistan which is substance manures. Especially, Chinese Government delivered 36% of the total exports to Pakistan of this product. The China has enhanced its performance in the concerned industry mainly due to the non-tariff fences are applied on the exports of India through Pakistan.
- The main essential in demand product for Pakistani market is petroleum oil, etc. This is another industry in which China has advanced world market. China exports are working fine in Pakistan because there economical rates in this industry and Pakistan is gradually increasing the number of products from Mineral. This product industry is in succeeding progressive list.
- Chinese exports in the metal and article industry show has based on iron and steel articles category. China distributes in the industry level on a whole classifications are significantly higher. For instance, China export of iron and steel articles in the year 2007 assessed as about to 58% of worldwide exports to

Pakistan in this main industry. The insertion of these articles in the year 2006 had heightened the Chinese export products to Pakistan in recent times. It is estimated that the gap among other countries and the export products of China in this category will be decreased in the coming years.

- In respect of trade balancing, Chinese exports are more according to the demand in Pakistan than any other country exports. It is not just only Chinese trade more well-suited to Pakistani demands, as well as China's exports are widened from the year 2006. The main reason behind this seems that the FTA among both countries that prepared China's exports the easiest way of corresponding to import demands of Pakistan. In respect to these products being transferred from Pakistan to China, the similar trade complementary guides have greater in perspective of China as a terminus. It seems that China is the most reachable terminus for significant export items of Pakistan rather than any other country in the world.

3. MAIN FACTORS AFFECTING HIGH CHINA-PAKISTAN TRADE

According to Malhotra (2009) the main imperative industries in which China grasps leading positions in the Pakistani market relate to machinery, mechanical appliances, textiles and articles. In machinery and mechanical machine industry, China leads the market of Pakistan in two products, named as machinery and mechanical appliances. In the meantime, the export of India in these merchandises are insignificant. Comparatively, in the China-Pakistan tariff discounts are given mutually to the both countries for the purpose of exports. The main factors that affecting achievement of Chinese exports in Pakistan are discussed below.

- First of all, the Pakistani Government is spreading a serving mechanism in every conceivable way by subsidiary Chinese business deeds and trade. Furthermore, the dealers of China have no visa issues and antipathy in Pakistan as compare to the dealers of India.
- Another important factor is the trade of China with Pakistan, mainly exports, have no fences in Pakistan from recent times, mainly after the execution of the China-Pakistan FTA. China is working fine in Pakistan as the rates are nearly zero in maximum of the transfers from China.
- One more important factor is that China is acting sound in the textile industry because it adores the frugalities of scale and price cheapness. So it is effective in Pakistan due to its cheap price and shortage of participants.
- Mainly, China considers it relaxed to do trade and invest in Pakistan because the obliging approach of Pakistani people. Additionally, China encourage the Pakistani business houses to contribute in their expositions and more comprehensive evidences about the Chinese products which is accessible in Pakistan, serving to increase Chinese imports (Taneja, 2007).

4. INVESTMENT IN PAKISTAN

China and Pakistan contracted a mutual investment agreement in February 1989. The main cause for Chinese attention in Pakistan is the trade and energy access strip from the Gwadar (in the province of Balochistan) port of Pakistan to the western regions of China. Pakistan and China has proclaimed their plans in 2013 to build an economic corridor specifically by connecting the Kashger with Chinese autonomous region named Xinjiang Uygur by the Pakistan's southwestern Gwadar port (Ranjan, 2015). After the completion of this project, Pakistan is expected to become a most effervescent hub

business activities amongst the Central Asian states, Gulf, China and Afghanistan. Therefore, the technical support of China is about 450 workforces as well as 80% contribution in funds for the port construction. Whereas, China and Pakistan have strongly believed that the Gwadar port will be delivered the largest military and economic profits. Gwadar has an essential place in usefulness of economic corridor between the Pakistan and China as it will become challenging for China to perceive the expected corridor as its important corridor of energy without the full functioning of port (Chowdhury, 2014). Gwadar offers a very short route rather than the present 12,900km route so it will ensure the energy security of China.

Pakistan offers the straight conceivable route from Gwadar through the Karakoram highway to the western regions of China. Pakistan in turn will earn transit profits. One more project is the Karakoram highway that is planned to extent about 90 kilometers. China sustained this project with backing up and by giving technical support for the Gwadar profound sea project which was started in the year of 2002. The port has two main economic gains as firstly, it will offer a maximum stable approach to the ports of Gulf as Gwadar port holds a strategic location to work as the main shipping point of the region. Secondly, the Gwadar port will be able to offer the ease in approaching the warm water of Arabian Sea to Chinese autonomous region Xinjiang, Afghanistan and Central Asia and will be considered as the shortest direct route among Arabian Sea and Central Asia. Pakistan has also been attracted the significant investment for the development of its relatively poor Baluchistan province (Haider, 2005).

Additionally, one great project in Pakistan sustained by Chinese speculation is the Chashma Nuclear Power Plant in the year 2004 to 2005. China and Pakistan also propelled an equivalent joint endeavors in July, 2007 namely the Pak-China Investment Company Limited (PCICL) with backing up from the Government of Pakistan and Government of China to start financially feasible schemes and ease to Chinese investment in

Pakistan (Rahman, 2011). Likewise, the report of Five Year Development Program on Trade and Economic Cooperation (2006) among Pakistan and China comprises a list of precedence plans that have cooperatively started (public and private sectors). China has gradually been supporter with relief and support in answer to the natural calamities that have demolished property. Exterior responsibility from China increased to \$568 million in the year of 2005 from \$53 million in the year of 1975.

5. CONCLUSION

Pakistan is the solitary country in South Asia in which trade with China for both perspectives of exports and imports has superior than any other country during the period from 1992 to 2007. The smooth implementation of projects such as China-Pakistan Economic Corridor (CPEC) is very essential for the long term political solidity of Pakistan. The products that represent a relative benefit for China has considered for greater shares of the market in Pakistan. The most significant trades in which China leads in the Pakistani market are machinery, mechanical appliances, textiles and articles. The record vital industries which establish exports are chemical products, textiles and textile products and prepared foodstuff. Though, it is observed that vast variations in exports of these products reliant upon local demands in Pakistan. Correspondingly, the explosion of Five Year Development Program on Trade and Economic Cooperation (2006) among Pakistan and China comprises a list of precedence plans that have conjointly started. China is recently started ongoing help to Pakistan for developing the industries associated to hydro power generation and many other sectors. Generally, Chinese trade has extra well-matched with the demands of Pakistan and the transformation between the trades balancing directory with India so that Chinese exports are expanded from the year 2006. Trade among China and Pakistan has significantly higher and

it seems that it will continue advancing so rapidly after the application of the Free Trade Agreement (FTA). Furthermore, China is investing and gradually supporting Pakistan with relief. So China is expanding the substantial investment policy in Pakistan.

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